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Talking Points for the DCI  
(11 October 1983)

Israel: Prospects for the Shamir Government

Shamir inherits a fractious coalition that was held together largely by Begin's force of character. Shamir lacks Begin's ability to deal with the often squabbling coalition, and we believe he will not be able to hold the government together until elections are due in November 1985. He will probably be forced to schedule elections perhaps as early as next spring.

- The new Prime Minister lacks Begin's empathy with the religious parties--based on his personal commitment to religious values--which was crucial to keeping the National Religious Party and Agudat Israel in the government.
- He can also expect trouble from TAMI, which draws support from economically deprived Sephardic Jews and objects to budget cuts and austerity measures. [REDACTED]

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Shamir's prospects are also likely to be hurt by the widespread perception that he is an interim leader, who will probably serve only until a clear cut successor emerges in Herut.

- His senior ministers--all potential succession candidates--will be looking for opportunities to enhance their prospects at the expense of their rivals, and this will add to Shamir's coalition problems.
- Shamir also lacks Begin's bed-rock support in the Sephardic community and does not appear to have much grass-roots Herut support. [REDACTED]

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Economic issues will provide an early test of Shamir's leadership.

- His first moves to devalue the shekel and cut subsidies will almost certainly result in a new inflation record.
- Finance Minister Aridor's publicly stated intention to reduce cost-of-living adjustments threatens the cushion Israelis have had against triple-digit inflation and has resulted in threatened strike action. [REDACTED]

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Shamir shares Begin's hard-line views on foreign policy matters, and we expect little change in Israeli policy towards Lebanon, the peace process, or relations with Egypt.

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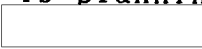
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-- Moreover, Shamir's decision to move quickly on economic matters suggests that foreign policy issues will take a back seat for the near term.

-- Nonetheless, we expect the Israelis to remain concerned about Syrian advances in Lebanon. They will be particularly sensitive to US policy: some senior Israeli officials fear that the US is planning to make concessions to the Syrians on Lebanon. 

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Labor's prospects have been enhanced by Begin's resignation, although it remains to be seen if the party can put aside its leadership feuds and effectively confront Shamir.

-- Labor is also hampered by its failure to undertake structural and ideological changes necessary to restore public confidence in the party and its leadership. 

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